

SECTION 9 EMPLOYER REFUNDS/MEMBER WITHDRAWALS

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OVERPAYMENTS REFUNDED BY THE TRS TO AN EMPLOYER

The TRS will issue a refund directly to the TRS employer for all overpayments of tax-deferred contributions, which include but are not limited to the following:

1. Wages reported in error.
2. Termination pay contributions reported in error due to the incorrect service credit, age factor or term pay option being utilized with a signed 'Termination Pay – Irrevocable Election Form' on file with the TRS.
3. Additional contributions remitted for the purpose of purchasing service with a signed 'Service Purchase – Irrevocable Election Form' on file with the TRS.
4. Monthly contribution reporting errors.

The above contributions have been remitted to the TRS as tax-deferred, therefore they must be returned to the employer for distribution to the employee after tax withholding and W-2 corrections.

OVERPAYMENTS REFUNDED BY THE TRS TO A MEMBER

The TRS will issue a refund directly to the TRS member for an overpayment of taxed contributions, which include but are not limited to the following:

1. Termination pay contributions reported in error due to the incorrect service credit, age factor or term pay option being utilized without a signed 'Termination Pay – Irrevocable Election Form' on file with the TRS.
2. Additional contributions remitted for the purpose of purchasing service without a signed 'Service Purchase – Irrevocable Election Form' on file with the TRS.

The above contributions have been remitted to the TRS as taxed, therefore they must be returned to the member.

A TRS MEMBER WITHDRAWAL

A TRS member who is no longer employed in a position eligible to participate in the TRS may request a withdrawal of their personal contributions, plus interest. Termination of employment does not automatically qualify a member for a withdrawal. If the TRS member leaves a school district or university unit for other TRS covered employment, they are not eligible for a withdrawal. (Ref: §19-20-603 MCA.)

A TRS member who has terminated their employment with a school district or university unit, and wishes to withdraw their account balance must request an 'Application For Lump Sum Refund Of Member's Deposits Of Contributions And Interest' form from the TRS. The employee must properly complete Part I and II of the application form and forward the completed form to your office for completion of Part III.

The TRS will not process a withdrawal of a member's account balance until all contributions have been received from the member's employer(s). Each employer is required to submit the member's contributions to the TRS by the 15th of the month following the month the wages were earned.

A TRS member's withdrawal will be processed during the next scheduled refund process, after receipt of the employer's report containing their final contributions and the properly completed application form with a signed Optional 30-Day Waiver. If the TRS member does not sign the Optional 30-Day Waiver, the TRS will not begin to process the application form until 30 days after the application is received in the TRS office. If you have any questions regarding the application form, please call the TRS office at (406) 444-3454.

If a member requests a withdrawal of their contributions and interest on deposit with the TRS, all membership privileges, beneficiary designation, service credit, rights to monthly retirement benefits and disability benefits are cancelled.

Part III of the 'Application For Lump Sum Refund Of Member's Deposits Of Contributions And Interest' form must be completed if the TRS member was employed in your agency in a position covered by the TRS during the current year or within six months prior to this application. The employer must certify that a full and complete termination of employment with their agency has occurred and that continued employment is not anticipated.

The following is an example of the properly completed information to be provided by the employer on Part III of the 'Application For Lump Sum Refund Of Member's Deposits Of Contributions And Interest' form.

Final contributions for Jane L. Doe appear on our report for the month of May, 2003 sent to the TRS on June 13, 2003.

I certify the above named member has **completely and finally terminated** employment with this agency, has no current employment application on file and is not anticipated to be reemployed by this agency in a position covered by the TRS. To the best of my knowledge, I further certify the above named member is not on leave of absence from nor been employed by any agency in a position covered by the Montana TRS.

School District #2

(555) 789-3456

School District

Phone Number

John Q Public

Payroll Officer

Print Name of Payroll Officer

Title

John Q Public

Payroll Officer

Signature of Payroll Officer

Title

**MONTANA
TEACHERS' RETIREMENT SYSTEM**

1500 E 6TH AVE
PO BOX 200139
HELENA MT 59620-0139
(406) 444-3134

**APPLICATION FOR WITHDRAWAL OF MEMBER'S
DEPOSITS OF CONTRIBUTIONS AND INTEREST**

TRS Office Use Only

This notice contains important information you will need before you decide how to receive your refund of contributions and interest from the Teachers' Retirement System (TRS). TRS member accounts eligible for withdrawal are available under two payment options:

Direct Rollover – Your account balance will be sent directly to your traditional IRA or, if you choose, to another qualified employer plan that accepts your rollover from a public plan qualified under IRC 401(a). Your refund will not be taxed in the current year and no income tax will be withheld. Any contributions on which you have already paid taxes, will be refunded to you with no taxes withheld. Internal Revenue Service (IRS) Form 1099R will be mailed to you within two weeks of processing your direct rollover. Your Plan payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or an education IRA because they are not traditional IRAs.

Lump Sum Refund – You may expect your lump sum refund approximately three weeks after TRS receives from your employer their monthly contribution report which is due by the 15th of the month following the month your final contributions were withheld. TRS is required to withhold 20% of the taxable amount of your refund to be credited against your Federal income tax liability. This withholding is mandatory. Any contributions on deposit on which you have already paid taxes, will be refunded to you with no taxes withheld. Your refund will be taxable in the year the payment is processed. If you receive the refund payment before age 59½, you may have to pay an additional 10% early distribution penalty tax; however, you may be eligible for exemptions that could reduce the tax you owe. For additional information regarding potential exemptions, please call the IRS at 1-800-829-3676 for your free copy of Publication 575 – Pensions and Annuity Income.

If payment is sent to you and within 60 days of receipt you roll the taxable portion of your distribution into an IRA, the 20% withholding still applies. If you do not replace the 20% withheld with other funds when making your subsequent rollover deposit, that 20% becomes taxable income, thus, will also be subject to the 10% early distribution penalty tax if you are under age 59½.

Family Law Orders – A Family Law Order (FLO) may direct that future benefit payments be distributed for child support, indigent parent support, and spousal support, and is enforceable against both Direct Rollovers and Lump Sum Refunds. A FLO may direct payment to an alternate payee as a percentage of the amount paid to a participant.

COMPLETION OF THE FORM BY REQUESTING A DIRECT ROLLOVER OR A LUMP SUM REFUND:

DIRECT ROLLOVER: Complete Part I – Section A and B.

LUMP SUM REFUND: Complete Part I – Section A. Your refund will be sent to the address shown in Part I – Section A - unless we receive a written, signed notice from you with your address change.

PART I – SECTION C: To be completed regardless of the method of payment you choose.

PART II - OPTIONAL 30-DAY WAIVER: If electing the waiver, you must complete this section whether you are refunding or rolling over your account balance.

PART III – TO BE COMPLETED BY EMPLOYER: If you have taught during the current school year or within the past six months.

If you have any questions regarding your refund or on the completion of this form, please call (406) 444-3454 between the hours of 8:00 a.m. and 5:00 p.m. (Mountain Time), Monday through Friday.

PART I: TO BE COMPLETED BY EMPLOYEE (ALL INFORMATION MUST BE TYPED OR PRINTED)

SECTION A

DIRECT ROLLOVER OR LUMP SUM REFUND

Joan Patricia Smith Doe
First Name Middle Name Maiden Name Last Name

1111 Freedom Way (406) 111-2222
Mailing Address (Street and/or PO Box) Telephone Number

Helena MT 59601
City State Zip

Helena Public Schools 07-1-2004 01-01-48 111-11-1111
School Name Termination Date Birth Date Social Security Number

SECTION B

DIRECT ROLLOVER ONLY TO:

IRA 77724655555 **OR** Qualified Plan
Account Number (MANDATORY) Account Number (MANDATORY)

D. A Davidson, Inc.
Name of Company holding the IRA or Qualified Plan

Great Northern Town Center, 40 West 14th Street Artisan Block
Mailing address (Street and/or PO Box)

Helena MT 59601
City State Zip

SECTION C

COMPLETION REQUIRED

I understand withdrawal of my deposits cancels all membership privileges, beneficiary designation(s), service credit, and rights to monthly retirement benefits and disability benefits. I certify that I have terminated my employment and am not seeking, nor have accepted, employment anywhere in Montana in a position covered by the TRS. I further certify that I have terminated my employment without expectation or anticipation of re-employment in a position within Montana covered by the TRS.

Joan P Doe 11-10-04
Signature of Employee Date



Jeffrey P Jewett
Signature of Notary

Montana
Notary Public for the State of

Lewis & Clark
Residing in County

June 1, 2008 Section 9
My Commission Expires Revised 10/2004

PART II: TO BE COMPLETED BY THE EMPLOYEE

OPTIONAL 30-DAY WAIVER

The IRS issued regulations effective January 1, 1993 on the mandatory 20% withholding and direct rollover provisions. Under the IRS regulations, at least 30 days and no more than 90 days notice must be given to participants or beneficiaries before the eligible rollover distribution becomes payable.

Because of this regulation, the TRS is not allowed to process your refund or rollover distribution for at least 30 days from the date the application is received in this office unless the waiver is signed. Applications returned without a signed waiver attached will be held until the end of the 30-day waiting period.

You may wish to consult a tax professional or the IRS if you have any questions concerning these IRS regulations.

I fully understand my rights as stated above and hereby waive my right to a 30-day notice. I understand withdrawal of my deposits cancels all membership privileges, beneficiary designation(s), service credit, and rights to monthly retirement benefits and disability benefits.

Jean P Doe

11-10-04

Signature of Employee

Date

FOR TRS OFFICE USE ONLY

Name _____ ER# _____

Status _____ Form sent _____

Membership form _____ Claim # _____

Claim date _____ # of years _____

Refund \$ _____ Rollover \$ _____

Total Distribution \$ _____

PART III: TO BE COMPLETED BY THE EMPLOYER

Part III – To be completed by your payroll officer IF you were employed in a position covered by the TRS during the current school year or within six months prior to this application.

Final contributions for Joan P Doe appear on our report for the month of July 2, 20 04, and was sent to the TRS on July 6, 2004.

I certify the above named member has **completely and finally terminated** employment with this agency, has no current employment application on file, and is not anticipated to be reemployed by this agency in a position covered by the TRS. To the best of my knowledge, I further certify the above named member is not on leave of absence from, nor been employed by, any agency in a position covered by the Montana TRS.

<u>Helena Public Schools</u>	<u>(406) 235-2000</u>
School District	Telephone Number

<u>John T Public</u>	<u>Payroll Officer</u>
Print Name of Payroll Officer	Title

<u><i>John T Public</i></u>	<u>Payroll Officer</u>
Signature of Payroll Officer	Title

In compliance with the American's with Disabilities Act of 1992,
alternative accessible formats of this document will be provided upon request.



**MONTANA
TEACHERS' RETIREMENT SYSTEM**

1500 E 6TH AVE
PO BOX 200139
HELENA MT 59620-0139
(406) 444-3134

**TRS Office
Use Only**

**SPECIAL TAX NOTICE REGARDING PLAN WITHDRAWALS
Effective January 1, 2002**

This notice explains how you can continue to defer federal income tax on your retirement savings in the Teachers' Retirement System (TRS) and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the Teachers' Retirement System because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or TRS to a traditional IRA or an eligible employer plan. A rollover is a payment by you or TRS of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact the Teachers' Retirement System at: PO Box 200139, Helena MT 59620-0139, or (406) 444-3454.

SUMMARY

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
- (2) The payment can be PAID TO YOU.
 - If you choose a DIRECT ROLLOVER:
 - Your payment will not be taxed in the current year and no income tax will be withheld.
 - You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan, which accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
 - The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

- You will receive only 80% of the taxable amount of the payment, because the TRS is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the TRS.

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I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be “eligible rollover distributions.” This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. Payments from a plan cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. TRS will be able to tell you what portion of your payment is an eligible rollover distribution.

After-tax Contributions. If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

- a) Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. TRS should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the Service on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

- b) Rollover into an Employer Plan. You can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or a section 403(a) annuity plan to another such plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You can also roll over after-tax contributions from a section 403(b) tax-sheltered annuity to another section 403(b) tax sheltered annuity using a direct rollover if the other tax-sheltered annuity provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the TRS to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

The following types of payments cannot be rolled over:

Payments Spread over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

Required Minimum Payments. Beginning when you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you. Special rules apply if you own 5% or more of your employer.

Corrective Distributions. A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded, cannot be rolled over.

The TRS will be able to tell you if your payment includes amounts, which cannot be rolled over.

II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to a traditional IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. You are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER. This Plan might not let you choose a DIRECT ROLLOVER if your distributions for the year are less than \$200.

DIRECT ROLLOVER to a Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you choose to have your payment made directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may wish to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

DIRECT ROLLOVER to a new eligible employer Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of your new employer plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of your new employer plan before making your decision.

DIRECT ROLLOVER of a Series of Payments. If you receive a payment that can be rolled over to a traditional IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or a traditional IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59½" and "Special Tax Treatment if You Were Born before January 1, 1936."

III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding:

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the TRS is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the TRS must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see “Sixty-Day Rollover Option” below), you must report the full \$10,000 as a taxable payment from TRS.

You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, 10% will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the TRS for the election form and related information.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan, that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment that can be rolled over under Part I above is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

Additional 10% Tax If You Are under Age 59½. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, or (7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

The additional 10% tax will not apply to distributions from a governmental 457 plan, except to the extent the distribution is attributable to an amount you rolled over to that plan (adjusted for investment returns) from another type of eligible employer plan or IRA. Any amount rolled over from a governmental 457 plan to another type of eligible employer plan or to a traditional IRA will become subject to the additional 10% tax if it is distributed to you before you reach age 59½, unless one of the exceptions applies.

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance from the TRS (and certain other similar plans of the employer) that is payable to you after you have reached age 59½ or because you have separated from service with your employer. For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

Ten-Year Averaging. If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the TRS before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity.

Also, if you roll over only a portion of your payment to a traditional IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the TRS results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to a traditional IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

If you are a beneficiary other than a surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59½.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include employer stock, as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with a professional tax advisor before you take a payment of your benefits from the TRS. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.